FOR APPROVAL OF THE TOPIC OF THE THESIS FOR

ADMISSION AS POST-GRADUATE STUDENT

FOR THE DEGREE OF DOCTOR OF PHILOSOPHY IN

THE FACULTY OF COMMERCE & MANAGEMENT

OF

SWAMI RAMANAND TEERTH MARATHWADA UNIVERSITY NANDED

ON

MEASURING IMPACT OF IMPLEMENTING SOCIAL ACCOUNTING ON MARKET VALUE OF REPUTED COMPANIES IN MARATHWADA

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MEASURING IMPACT OF IMPLEMENTING SOCIAL ACCOUNTING ON MARKET VALUE OF REPUTED COMPANIES IN MARATHWADA

Introduction:-

A business undertaking is a social unit as its activities vitally affect the society and its members. It uses the society's resources and produces goods and services for which the society is the ultimate consumer. The society also provides the infrastructure and facilities without which business unit cannot function at all. Therefore, it is necessary that each business unit must discharge social responsibility. Further, business organizations are an important instrument of social change. They have been helping the society through quality equipment, investment in development of its people and reliable service to public at large. Now a day, it is being realized that commercial evaluation of industrial projects is not enough to justify commitment of funds to a project, especially when it belongs to the public sector. The social aspect must not be ignored as the projects in public sector concerning either with the development of infrastructure facilities or otherwise necessary in the general goods of the society. Their evaluation should be done keeping in view the social costs and benefits associated with them.

There has been an increasing demand on organization to be more responsive to the issues concerning the communities in which they operate and for them to take issues like social responsibility management, social responsibility accounting and environmental impact very seriously. This had culminated into the development of a concept known as "Social Responsibility Accounting". Social accounting is simply describing in non normative terms how the accountant reports on the activities of the organization's internal and external social environment. Social accounting is concerned with the development of measurement system to monitor social performances. It is rational assessment of and reporting on some meaningful domain of business enterprise activities that have social impact. It aims at measuring (either in monetary or non monetary units) adverse and beneficial effects of such activities both on the firm and /or those affected by the firm.

Definitions:-

According to Gray (2000) "preparation and publication of an account about an organization's social, environmental, employee, community, customers and other stakeholder interactions and activities and where, possible the consequences of those interactions and activities".

According to Ralph (1973) "It is the measurement and reporting, internal and external, of information concerning the impact of an entity and its activities on society.

According to Ramanathan (1976) " Process of selecting firm level performance variables, measures and measurement procedures, systematically developing information useful for evaluating the firm's social performance to concerned social groups both within and outside the firm".

Social accounting describes the impact of corporate decision on environmental pollution, the consumption of non- renewable resources and ecological factors, on job potential, on the rights of individuals and groups and the maintenance of public services, on public safety, on health and education and many other social concerns. Thus, social accounting evaluates in monetary terms, the benefits of an organization's policies and dealings on its constituents. These constituents, in the case of public sector enterprises include employees, local community suppliers, consumers and the general public. In India, some progressive companies like cement corporation of India, BHEL, TISCO, Mineral and metals Trading Corporation of India have adopted social accounting system and have been reporting the details of the social costs and social benefits as a result of their operation.

There are very few research carried out in this field. This study will be helpful not only to companies but also to various stakeholders including society to understand the intangible and hidden benefits of social accounting. It will also help to companies to plan its future keeping in mind the perspectives of the society. It will help the companies to improve the image of company in the eye of society.

Problems of the study:-

As we all know the traditional accounting has focused on establishing accounting framework that measures corporate success based on the maximization of shareholders' value by the level of profits made, but wealth maximization cannot be given so much importance by ignoring the social aspects.

Researcher will attempt to address the following problems:-

1) It is the society which is highly affected from business, so it is important to study the existence of social cost and benefits in financial statement of the companies.
2) The Government, to whom the companies are liable to answer, gets affected, so it is important to study the financial statements of the companies as per the social accounting.
3) Employees are the most important pillars of any business; they also get affected in respect of their payrolls, human resources policies and working environment etc.
4) Companies also get affected because they need to adopt various social policies.
5) Last but not the least companies affect every aspect of the society and create good or bad image.

Objectives of the study:-

Following are the objectives of the study:-

1) To generate understanding about the concept of social accounting.
2) To study the review of the literature in the concerned area of research.
3) To analyze the techniques in which these companies report and disclose social accounts in their annual reports.
4) To study whether companies comply with social accounting disclosure in their financial statement.
5) To study whether the inclusion of social accounting information statements significantly enhance information disclosure.
6) To study the impact of disclosure of social accounting information on firms' corporate image.
7) To seek the opinion of accountants on the cost-benefit approach to account for social responsibility expenditure in the financial statements.

Hypothesis of the study:-

1) Companies do not comply with social accounting disclosure in their financial statement.
2) The inclusion of social accounting information statement does not enhance information disclosure to stakeholders.
3) The disclosure of social accounting information on firm does not enhance the firms' corporate image.
4) There is no significance difference among the accountants on the cost-benefit as basis for valuing expenditure on social responsibility expenditure by corporate organizations.
5) There is no difference in using of techniques among the companies in reporting and disclosing social accounts in their annual reports.

Review of Literature:-

Social accounting has been defined by various authors. Selvi(2007) defined social accounting as a way of demonstrating the extent to which an organization is meeting its stated social and ethical goals. Wood and Sangster (2002) relates social accounting to how to report upon the application of social policies adopted by organization and upon how they have impacted upon the organization and the environment. Alexander and Britton (2000) postulates that social responsibility accounting is the reporting of those costs and benefits which may or may not be quantifiable in money terms arising from economic activities and substantially borne or received by the community as large or particular group not holding a direct relationship with the reporting entity. Selvi (2007) states that social accounting is a process whereby organization may monitor and evaluate its report honestly on its achievements and failing to improve its

performance through more informed planning and better management. He went further to describe the process of social accounting which is as follows:

- Internal data collection and analysis procedure accounting.
- An independent audit of the result (Auditing)
- A mechanism for disseminating the outcome more widely (reporting)

Objectives of the Social Accounting

The general objectives of social accounting as propounded by Muhammad and Jamel 2008, Ramanathan 1987, Gloutier and underdown are basically-

- Determine and measure the net social contribution of the organization on a periodic basis.
- Evaluate the social performance of organizations by identifying whether the organization's strategies and objectives are consistent with the social priorities and the organization's ambitions to ensure individuals a reasonable percentage of profits.
- Disclose the activities that have social influence carried out by the organization

Valuation basis for Social Accounting:-

The three main approaches for social accounting are

Descriptive Approach:-

This approach advocate the listing of all corporate activities which may be reported in form of short sections in the annual report to shareholders or in a separate publication dealing with corporate social responsibility. The disadvantage of this approach is in it not being to enable a good assessment of corporate responsiveness towards social responsibility.

Cost-Outlay Approach:-

This approach lists corporate expenditure on each social activity undertaken, quantified in money terms. One major advantage of this approach is that it does not disclose benefit made and therefore does not comply with the accounting matching concept and secondly it may include insufficient programmes.

Cost-Benefit Approach:-

This approach matches expenditure incurred on each social activity with the benefits associated with it. The disadvantage of this approach is that it is usually difficult to quantify some elements of benefits as they are qualitative and subjective.

Measurement Criteria In social Accounting:-

Raymond Buer(1974) has enunciated two measurement criteria for social accounting and reporting and they are

- **Measure of cost efficiency:** This criterion involves those that construct an index of sustainability, desirability, sufficiency and appropriateness of cost level.
- **Measure of cost benefit:** This criterion involves those that monetize the welfare function in order to generate time discounted benefits to society and then compare those benefits to costs by several more or less acceptable techniques.

Mathew and Parrera (1996), Davies and Okorite (2007) acknowledge that there is the problem of measurement as it is difficult to quantify some expenditure incurred and some benefits derived. They said that the measurement of social contribution is dependent on who determines what social responsibility is. There were also some techniques recommended for giving values to quantitative social responsibility by Dego (1984) in Davies and Okorite (2007) are:

- **Surrogate valuation:** This is the assignment of value of an activity to the social activity in question.
- **Survey method:** This method determines the value of social activity by obtaining information through a survey of those within the community who make sacrifice.
- **Appraisal:** This method uses the service of experts to carryout independent valuation in order to place value.
- **Court Decision:** Paying for damage as determined by the court.
- **Analysis:** This involves the analyses of available economic and statistical data with the aim of placing a value.

Scope of the study:-

This study will cover 20 companies from different sectors for the years of 2014-2017. These sectors are manufacturing, banking, pharmaceutical and IT. The study will examine the social accounting disclosures within annual reports of the companies using convenience sampling of the population.

Research Methodology of the study:-

a) Universe of Study:-

For the purpose of proposed study, 100 employees and 20 accountants will be selected.

b) Sample of Data:-

Random sampling technique will be used to select sample representatives from employees.

c) Period of the study:-

Study will cover period of 5 financial years starting from 01/04/2014 to 31/03/2018.

d) Techniques of data collection:-

Study will be based on both primary and secondary sources.

i.) **Primary Data** - Primary data is to be collected by well designed questionnaire to be filled up by selected samples of employees and customers of companies.

ii.) **Secondary Data** – Secondary sources of data relevant to the study will be collected from various books, journals, business magazines, newspapers.

e) Research Technique for Data Analysis:-

Data collected from the company will be assessed and analyzed be using appropriate methods like tabulations, charts, percentage, averages, weighted average cost concept etc. Primary data will be analyzed by using various statistical tools for testing of hypotheses. Finally researcher will offer comments and suggestions about various aspects of social accounting.

Significance of the Study:-

The concept of survival of the fittest in the competitive business environment demands what is now refined and popularly known as social responsibility. The old forgotten ideology of giving back to the society what it got from it has emerged as the concept of social responsibility. An organization is a corporate citizen. It is a part of society. It interacts with different agencies of society and with society as a whole. A business organization has to deal with many agencies like government agencies, shareholders, suppliers, consumers, financiers, banks, employees, employees' family, distributors etc. If the organization does the minimum that is expected, then it is fulfilling its business obligations. But, if the organization, on its own initiative or in response to an explicit need from the stakeholders does certain activities then it could be said to be fulfilling certain social responsibility obligations. As we all know corporate social responsibility is made compulsory which says what to do but social accounting tells you how to do. This study will help us how to prepare financial accounting of a company, how the companies will be benefitted by adopting social accounting. This study will also help the government in the development of the country.

Organization of the study:-

It deals with chapter scheme of the study.

The brief details of the chapter are explained as under.

Chapter 1: **Introduction**.

It starts with the introductory part of the research. It gives brief idea about the Social Accounting, implications and significance of Social Accounting in business.

Chapter 2: Review of Literature.

It deals with the past study on the Social Accounting. It shows the literature regarding linkages of Social Accounting in business and its effects on business.

Chapter 3: Introduction to Social Accounting

This chapter deals with need and objectives of Social Accounting, scope of Social Accounting, process of Social Accounting, and pre-requisites of Social Accounting.

Chapter 4: Social Accounting Process/ Methodology

This chapter briefly discusses the process/ procedure to prepare social accounts. It also covers the scope of Social Accounting.

Chapter 5: Analysis of selected companies/ Profile of respondents

This chapter gives detailed description of history, product line and present business structure of selected companies.

Chapter 5: Analysis of Data

Primary data collected by employees and customers are to be processed through statistical packages. And data is being evaluated to test the hypothesis mentioned.

Chapter 6: summary of findings and suggestions

It deals with the outcome of the data analysis and interpretation. It shows in detail about the findings the researcher has found out from the primary survey and researcher will be giving the suggestions for the same.

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